

# Luxury Tax

Arizona's luxury tax applies to cigarettes, other tobacco products, and alcoholic beverages. The Department is responsible for issuing tobacco licenses and stamps and collecting taxes on tobacco products and alcoholic beverages. The Department also investigates and confiscates contraband alcoholic beverages and tobacco products. During the 1999-2000 fiscal year, over \$210 million was received in luxury tax collections. Of that, \$78.4 million was for the Medically Needy Fund, \$25.8 million for the Health Education Fund, and \$5.6 million for the Health Research Fund due to the passage of the Tobacco Tax and Health Care Initiative in November 1994. The Corrections Fund, established by the Legislature in 1984 to pay for prison construction, received \$25.5 million, and the Arizona Wine Promotional Fund received \$21,197. The Drug Treatment and Education Fund received \$6.9 million, and the Corrections Revolving Fund received \$2.7 million due to the passage of Proposition 200 in 1996. The remaining \$65.4 million was deposited into the state general fund. (Refer to Table 43)

## Tobacco Products Rate

The luxury tax rates on cigarettes and tobacco products, for July 1999 through June 2000, were as follows:

### Cigarettes

per cigarette	\$ .029
package of 20	\$ .58
package of 25	\$ .725

### Cigars

small cigars weighing not more than 3 lbs/1,000 package of 20 or less	\$ .129
selling for \$0.05 or less (each 3 cigars)	\$ .064
selling for more than \$0.05 (each cigar)	\$ .064

### Smoking Tobacco

snuff, fine cut, chewing, etc. (per ounce)	\$ .065
Cavendish, plug, or twist (per ounce)	\$ .016

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The luxury tax rates on liquor for fiscal year 1999-2000 were as follows:

### Spirituous Liquors

per gallon	\$3.00
<b>vinous liquors</b> more than 24% alcohol (per gallon)	\$4.00
<b>vinous liquors</b> less than 24% alcohol (per gallon)	\$0.84

### Malt Liquor (Beer)

per gallon	\$0.16
per barrel (31 gallons)	\$4.96

**TABLE 43**  
**LUXURY TAX COLLECTIONS**  
**FY96 THROUGH FY00**

<i>SOURCE</i>	<i>1995-96</i>	<i>1996-97</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>PERCENT OF COLLECTIONS IN 1999-00</i>
Spirituos Liquor	\$18,089,781	\$18,314,041	\$18,787,775	\$19,648,670	\$20,587,605	<b>9.8%</b>
Vinous Liquor	7,369,758	7,501,777	7,893,100	7,969,428	9,026,326	<b>4.3%</b>
Malt Liquor	19,289,817	19,276,518	19,463,378	20,534,013	21,309,231	<b>10.1%</b>
<i>Liquor Collections</i>	<b>\$44,749,355</b>	<b>\$45,092,337</b>	<b>\$46,144,253</b>	<b>\$48,152,111</b>	<b>\$50,923,162</b>	
Tobacco - All Types						
Gross Revenue	174,812,502	169,340,917	169,660,665	166,646,960	163,206,980	
Refunds	(3,704,912)	(3,197,343)	(4,569,441)	(3,457,756)	(3,474,292)	
Licenses	2,675	4,625	7,100	7,175	7,175	
Administrative Expenses (1)	(314,281)	(303,902)	(344,036)	(358,196)	(310,931)	
<i>Net Tobacco Collections</i>	<b>\$170,795,984</b>	<b>\$165,844,296</b>	<b>\$164,754,289</b>	<b>\$162,838,183</b>	<b>\$159,428,932</b>	<b>75.8%</b>
<b>TOTAL COLLECTIONS</b>	<b>\$215,545,339</b>	<b>\$210,936,633</b>	<b>\$210,898,542</b>	<b>\$210,990,294</b>	<b>\$210,352,094</b>	<b>100.0%</b>

**DISTRIBUTIONS:**

State General Fund	73,253,002 (4)	67,340,537	64,429,625	64,770,498	65,436,145
Wine Promotional Fund	10,233	9,542	9,306	14,595	21,197
Health Care Funds (3)	119,127,689	115,961,006	114,104,507	112,735,957	109,786,025
Drug Treatment & Education Fund (5)	----	3,124,761	6,235,814	6,502,823	6,897,717
DOC Revolving Fund (5)	----	1,242,158	2,477,227	2,583,453	2,739,633
Department of Corrections Fund	23,014,849	22,978,271	23,467,623	24,141,360	25,192,099
DOC Corrections Fund Transfer (2)	139,567	280,358	174,439	241,607	279,278
<b>TOTAL DISTRIBUTIONS</b>	<b>\$215,545,339</b>	<b>\$210,936,633</b>	<b>\$210,898,542</b>	<b>\$210,990,294</b>	<b>\$210,352,094</b>

(1) Expenses for administering the tobacco tax act passed effective November 1994.

(2) In order to compensate for decreases in the Corrections Fund due to the new tobacco tax, the Department of Corrections receives a transfer from the Health Care Fund.

(3) Beginning November 28, 1994, the Luxury Tax on cigarettes changed from \$0.009 to \$0.029 per cigarette. The Luxury tax on other tobacco products also increased. Distribution of the new tax is made to the Health Care Funds.

(4) Included in the General Fund revenues is a \$172,320 reimbursement from the Health Care Funds for refunds to tobacco distributors which were not disbursed until FY97. Does not include the \$6,004 transfer recorded in FY95 distribution that was completed in FY96.

(5) Effective January 1997, a portion of the revenues from the Luxury Tax on Liquor is distributed to the Drug Treatment and Education Fund and the DOC Revolving Fund.

Figures may not add to total due to rounding.